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September 12, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

Re: Department of Telecommunications and Energy/Energy Facilities Siting Board, D.T.E. 98-84/EFSB 98-5

Dear Secretary Cottrell:

Enclosed please find the Comments of NSTAR Electric regarding the above-referenced matter. Kindly contact me should you have any questions concerning this filing.

Very truly yours,

David S. Rosenzweig

Enclosure

cc: William Stevens, Hearing Officer
Selma Urman, Hearing Officer

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
ENERGY FACILITIES SITING BOARD

Joint Investigation by the Department of Telecommunications and Energy and the Energy Facilities Siting Board, commencing a Notice of Inquiry and Rulemaking, pursuant to G.L. c. 164, §§ 69H, 69I, 76C and 220 C.M.R. §§ 2.00 et seq., into (1) rescinding 220 C.M.R. §§ 10.00 et seq., and (2) exempting electric companies from any or all of the provisions of G.L. c. 164, § 69I.	D.T.E. 98-84/EFSB 98-5

COMMENTS OF NSTAR ELECTRIC

I. INTRODUCTION

NSTAR Electric[1] (the "Company") hereby submits comments in response to a Request for Comments that was issued jointly by the Department of Telecommunications and Energy (the "Department") and the Energy Facilities Siting Board (the "Siting Board") (collectively, the "DTE/EFSB") on August 19, 2002. In their Request for Comments, the DTE/EFSB solicited input from interested parties on whether a proposed "alternative process" that would substitute for the filing of long-range forecasts under G.L. c. 164, § 69I is in the public interest. As detailed below, NSTAR Electric supports the DTE/EFSB's proposal to: (i) exempt electric companies from the obligation to file biennial long-range forecasts pursuant to G.L. c. 164, § 69I; and (ii) rescind the regulations governing Integrated Resource Planning ("IRP"), 220 C.M.R. §§ 10.00 et seq. (Request for Comments at 7). In addition, NSTAR Electric believes that the "alternative

[1] NSTAR Electric is composed of Boston Edison Company, Commonwealth Electric Company and Cambridge Electric Light Company.

process" proposed by the DTE/EFSB is in the public interest, and therefore, should be adopted by the DTE/EFSB.

NSTAR Electric appreciates the opportunity to provide input to the DTE/EFSB on its proposals to replace the existing IRP process with a process that is focused on ensuring distribution system reliability and identifying transmission needs. These comments are designed to assist the DTE/EFSB in reaching those objectives. Accordingly, the Company's comments first address the development of the alternative process as a substitute for long-range forecast and supply plans, and then respond to the specific questions set forth by the DTE/EFSB in the Request for Comments.

II. BACKGROUND

Pursuant to G.L. c. 164, § 69I, Massachusetts electric companies are currently required to file biennial forecasts of their electric power needs for their market areas over an ensuing ten-year period. The Department implemented this long-range forecast requirement through a comprehensive IRP framework governing the procurement and cost recovery issues associated with the generation resources that are needed to meet the electric-supply requirements of customers. 220 C.M.R. §§ 10.00 et seq. This framework, which was developed during an era in which electric companies planned for and supplied a full range of electricity services on behalf of their customers, provided for a regimented, two-year planning cycle for all electric companies, encompassing several distinct phases including forecasting, need determination, resource procurement, competitive solicitation and contract approval. 220 C.M.R. § 10.03.

With the implementation of the Electric Restructuring Act of 1997 (the "Restructuring Act"), electric companies no longer have the obligation to plan for and

procure the generation resources necessary to meet the needs of customers, except with regard to Standard Offer Service and Default Service.[2] Thus, the DTE/EFSB has appropriately determined that the traditional forecast and supply-plan evaluation under G.L. c. 164, § 69I is no longer applicable or warranted, which effectively renders obsolete the provisions of 220 C.M.R. § 10.00 et seq. To ensure that the Department would retain its regulatory oversight over the reliability of a company's electric-distribution system, the Restructuring Act amended G.L. c. 164, § 69I, to authorize the Department to exempt electric-distribution companies from the obligation to file long-range forecasts pursuant to § 69I, upon a determination by the DTE/EFSB that an alternative process would be in the public interest.

In August 1998, the DTE/EFSB initiated a proceeding designed to identify an alternative process that would enable the Department and the Siting Board to fulfill their duties under the Restructuring Act without having to conduct detailed biennial reviews of electric-utility forecast and supply plans under § 69I. Notice of Inquiry and Rulemaking into (1) rescinding 220 C.M.R. §§ 10.00 et seq. and (2) exempting electric companies from any or all of the provision of G.L. c. 164, § 69I, D.T.E. 98-84/EFSB 98-5 (hereinafter, the "NOI"). In the NOI, the DTE/EFSB stated that any process that would serve as an alternative to the IRP process should: (1) promote cost-effective demand-side management ("DSM"); (2) allow the Department to assess distribution-related reliability issues; and (3) provide advance notification of developing transmission constraints (NOI at 3). However, in light of recent changes within the electric industry and the

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[2] A distribution company's procurement of Standard Offer Service and Default Service is separately reviewed by the Department pursuant to 220 C.M.R. §§ 11.04(9)(b)(4) and 11.04(9)(c)(3), respectively.

implementation of new regulatory requirements on both a statewide and national basis, the DTE/EFSB has appropriately decided to confirm that the objectives initially outlined in 1998 will ensure that an alternative process is identified that accurately reflects the evolving electric marketplace.

III. THE PROPOSED ALTERNATIVE PROCESS

In March 2002, the Department issued a series of decisions directing NSTAR Electric and other electric-distribution companies to file annual system-reliability reports, commencing on January 1, 2003, that include the following components: (1) ten-year peak-demand load forecasts for each service area; (2) planning criteria and guidelines for the distribution-system planning process; (3) an operating study report showing power flows and voltages for normal and emergency conditions at each substation or bulk supply station; (4) a list of large institutional loads by town; and (5) a list of significant transmission and distribution improvement projects (Request for Comments at 5). See NSTAR Electric, D.T.E. 01-65, at 24 (2002); Western Massachusetts Electric Company, D.T.E. 01-66, at 17 (2002); Fitchburg Gas and Electric Light Company, D.T.E. 01-67, at 17 (2002); Massachusetts Electric Company, D.T.E. 01-68, at 16 (2002). In reviewing the annual system-reliability reports, the Department has stated that it would focus its analysis on the Company's use of load forecasts in the operation of the distribution system. See, e.g., D.T.E. 01-65, at 5. In the Request for Comments, the DTE/EFSB proposes to use these annual distribution-system reliability reports as the central element of an alternative process to replace the filing of long-range forecast and supply plans under G.L. c. 164, § 69I. Concurrent with the annual system-reliability report, the DTE/EFSB proposes to require each electric company to file a detailed description of all

transmission projects planned to be built within, or partially within, their service territories in the following three years, as well as a more general description of the transmission projects that are planned for construction within three to ten years from the filing. With one minor exception discussed below, NSTAR Electric views the Department's proposed alternative process as a reasonable and appropriate approach to ensure distribution-system reliability.

IV. REQUEST FOR COMMENTS

A. Distribution-System Reliability

To evaluate whether the proposal to use the annual system-reliability reports in place of a long-range forecast and supply plan pursuant to G.L. c. 164, § 69I would be in the public interest, the DTE/EFSB asked three questions:

1. Does the proposed alternative process provide all the information that the Department needs to help ensure distribution system reliability? What additional elements, if any, should be included in an alternative process that focuses on distribution system reliability?

2. Are there other issues that must necessarily be included in an alternative process that is consistent with the public interest? If so, what are these issues, and why are they important?

3. Is further definition of any element of the alternative process proposed by the Agencies needed to ensure that there is a common understanding of electric company responsibilities under the alternative process?

NSTAR Electric supports the DTE/EFSB's proposed alternative process because it will provide relevant information on an annual basis to evaluate the system-reliability efforts of the distribution companies. Specifically, the detailed information required to be filed in compliance with the system-reliability dockets encompasses the key components of the distribution-system planning process. For example, by requiring the filing of peak demand-load forecasts, detailed studies on power flows and voltages under various

conditions, identification of critical loads, such as hospitals and schools, and an inventory of significant reliability and infrastructure improvement projects, the DTE/EFSB will have the information necessary to evaluate forecasted customer requirements and system capabilities, including critical loads, and to review the planned improvement projects that are aimed at addressing the areas of the distribution system requiring reinforcement. Accordingly, this information will allow the Department to ensure that the distribution company has planned for the needs of its customers and for the reliable transmission and distribution of electricity to its service territory.

The only minor modification that NSTAR Electric would propose in relation to the alternative process is that a five-year planning horizon would be more meaningful and appropriate than the 10-year horizon contemplated in the DTE/EFSB Request for Comments. The 10-year time frame may have been appropriate in relation to the traditional long-range forecast and supply plans that were intended to evaluate whether distribution companies had adequate generation resources to meet customer requirements, because the addition of generation resources involves a significantly longer time frame than does distribution-system planning. Moreover, a 10-year time frame is beyond that established by the New England Power Pool in its transmission tariff, which requires that a regional transmission plan be developed based on a five-year planning horizon.

The establishment of a 10-year distribution-system planning horizon would be of limited value to the Department, since the Company's distribution-system planning efforts generally involve a much shorter time frame of three to five years. From the Company's perspective, planning for distribution-system upgrades beyond a three-to-five year horizon would involve a high level of speculation as to the needs of the system in

particular areas at a point in the future, and as to the ways in which the Company may configure the system to meet those needs. This would be especially true in relation to the development of specific improvement projects, which are not generally identified by the Company more than five years in advance. Accordingly, NSTAR suggests revising the planning horizon to a three-to-five-year period for consistency with the practical limitations of the distribution-system planning process and to be consistent with the requirements imposed in relation to transmission planning by ISO-NE.

In addition, with the exception of the inventory of planned distribution and transmission-system improvement projects, the information provided as part of the annual system-reliability report is information that is not provided in other forums, and therefore, is not duplicative of requirements in other areas over which there is adequate Department oversight.[3] For example, in its NOI (issued in 1998), the DTE/EFSB stated that any process that would serve as an alternative to the IRP process should: (1) promote cost-effective DSM; (2) allow the Department to assess distribution-related reliability issues; and (3) provide advance notification of developing transmission constraints (NOI at 3). The information provided in the annual system-reliability report, in combination with information provided as part of the annual service-quality reports, will allow the DTE/EFSB to meet the second stated objective.

In fact, the service-quality measurement and monitoring program put in place by the Department in Service Quality Guidelines, D.T.E. 99-84 (2001), provides the

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[3] Under the service-quality plans approved by the Department for NSTAR Electric, the Company is required to file an annual report on the capital investment for its transmission and distribution infrastructure. The annual report is to include a list and location of each transmission and distribution facility that was modified, upgraded, replaced, and/or constructed, and the cost and scope of those projects. See Service Quality Plan, Section VIII(E). The Company is required to report on these capital expenditures for the ten most recent years. Id.

Department with a critical tool in ensuring the safety and reliability of the distribution system. Under the Department's service-quality program, distribution companies may be financially penalized for failure to meet established service-quality thresholds relating to electric-system reliability.[4] See, e.g., NSTAR Electric, D.T.E. 01-71-A (2002). As stated by the Department, the service-quality program is an indispensable component of its performance-based ratemaking framework and merger policy because it will ensure that the reliability and quality of service to customers is maintained. Boston Gas Company, D.P.U. 96-50, at 309 (1996); Eastern Enterprises and Essex County Gas Company, D.T.E. 98-27, at 32-33 (1998).

With respect to the first stated objective, NSTAR Electric notes that, pursuant to G.L. c. 25A, § 11G ("Section 11G"), the Division of Energy Resources (the "DOER") has the authority to oversee and coordinate customer-funded energy efficiency programs. Under Section 11G, DOER is required to file an annual report with the Department on the proposed funding levels for such energy-efficiency programs. Section 11G further requires the Department to review and approve proposed energy-efficiency expenditures after determining the cost-effectiveness of the programs. In addition, the Restructuring Act established a detailed funding mechanism to promote cost-effective DSM by instituting a separately stated charge to fund DSM programs. In particular, G.L. c. 25, § 19 requires electric companies to collect a mandatory charge per kilowatt-hour to fund energy-efficiency initiatives, including, but not limited to, DSM programs. As a result,

[4] For electric distribution companies, the prime indicators of system reliability are the System Average Interruption Duration Index ("SAIDI") and the System Average Interruption Frequency Index ("SAIFI"). These performance measures provide the Department with data on the frequency and duration of the electric-service outages experienced by customers, and therefore, are important indicators of the reliability of the distribution system.

there is continued oversight and support for cost-effective DSM measures that would not need independent review as part of the proposed alternative process.

With respect to the third stated objective, the Department and the Siting Board are provided with significant and pertinent information regarding transmission constraints. For example, any transmitting utility, as defined in Section 3(23) of the Federal Power Act (16 U.S.C. § 796(23)), that operates integrated transmission facilities at or above specific levels must submit a Form No. 715 ("Form 715") to the Federal Energy Regulatory Commission ("FERC") on an annual basis. This annual report is designed to inform potential transmission customers, state and federal regulatory authorities and the general public, of known and potential transmission capacity constraints. FERC requires the transmitting utility to submit information that includes, but is not limited to, an evaluation or assessment of the performance of its transmission system based on the application of its reliability criteria, information about existing and likely future transmission constraints, and a description of plans to mitigate the constraints. See Instructions for Completing the FERC Form No. 715, Part 6.

In addition, in conjunction with the member transmission companies, ISO-New England coordinates the preparation of a five-year NEPOOL Transmission Plan that summarizes the results of the most recent reliability performance and economic-related studies for generators that have received approval for transmission projects. Under the NEPOOL Transmission Plan, the need for transmission projects is identified and proposed transmission projects are evaluated by category (i.e., whether the project is required for system reliability, to interconnect new supply resource to the transmission system, or for economic benefit). Thus, given the extensive regulatory oversight, both

within the purview of the DTE/EFSB and that of FERC and ISO-New England of the transmission system, NSTAR Electric believes that the alternative process, as proposed by the Department, provides the Department with the relevant and necessary information to evaluate transmission constraints and distribution system reliability. Accordingly, the DTE/EFSB should find the proposed alternative process to be in the public interest.

At the same time, the electric-industry marketplace and the economy within which the Company operates are continually changing, and therefore, a level of flexibility must be maintained in meeting both customer and operational requirements within a service territory. In that regard, the Company's resource and requirements forecasts are not intended to pinpoint customer demand and to match resources directly with that demand. Rather, resource and requirements plans are designed to be an analytical tool used in evaluating the adequacy of the Company's distribution system in light of fluctuating economic conditions, customer loads and resource availabilities. NSTAR Electric believes that the proposed alternative process, in combination with the service-quality measurement and penalty provisions, will strike an appropriate balance between the need to provide distribution companies with a level of flexibility to meet changing customer and operational requirements, and the need to ensure system reliability for all customers. Accordingly, the DTE/EFSB should find the proposed alternative process to be in the public interest.

B. Transmission Projects

Regarding the proposal to provide the DTE/EFSB with information about new transmission projects, the DTE/EFSB requests responses to the following questions:

4. Can the need for a transmission project predicated on load growth be described more effectively, efficiently, and consistently through standardized annual forecasts or by project-specific inquiry?

5. To what extent could data from the annual report provided to the Department be used to demonstrate the need for transmission projects proposed primarily for support of the distribution system? To what extent could data from the annual report be aggregated to document the need for transmission projects intended fort the transfer of bulk power within a single utility's service territory, or between service territories?

6. What information should be filed in support of a load forecast submitted in the context of a transmission facility proceeding under G.L. c. 164, § 69J?[5]

7. What is the appropriate role of ISO-New England or a regional transmission organization in providing justification for new transmission facilities?

There are three main reasons why new transmission projects may be undertaken: (a) to meet load growth or reliability considerations on the utility's system; (b) to support new generating facilities proposed by third-party developers; and (c) to enhance the efficient and reliable transmission of electricity throughout the region (where not necessarily caused by load growth or reliability considerations on the utility's system). Some transmission projects may encompass elements of all three factors. Because the need analysis that would be involved in a siting petition would differ depending upon the reason that the transmission facility is being constructed, the focus of the need analysis is more appropriately established on a project-specific basis, rather than through the establishment of a standardized annual-forecast process.

Specifically, where a new jurisdictional generating facility is proposed to the Siting Board, the need for an associated transmission line is predicated on the Siting Board's approval of the proposed generating facility. G.L. c. 164, § 69J1/4; see

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[5] G.L. c. 164, § 69J, provides in pertinent part that no applicant shall commence construction of a facility at a site, unless the Siting Board determines that the facility is consistent with a company's most recently approved long-range forecast.

Cambridge Electric Light Company, EFSB 00-3; D.T.E. 00-103 (2001). NSTAR Electric is amenable to supplying basic information relative to this type of project in advance if such information is available to the Company. However, distribution companies should not be required to "uncover" information relative to any potential projects that may be pursued in the competitive market. For example, NSTAR Electric may be contacted by entities in the competitive market who are evaluating generation projects, but these contacts do not put the Company in the position of being able to assess the likelihood of those projects reaching fruition. In addition, given the highly sensitive nature of the competitive market, there are confidentiality issues involved in the details of such proposals that warrant a cautious approach concerning matters of disclosure.

Similarly, where the transmission is needed to meet regional needs, and is being constructed based on directives from ISO-New England, or any successor entity, a separate review of need by the DTE/ESFB may not be warranted. Constraints in the bulk-power system in relation to the transmission of power from region-to-region may not be related to NSTAR Electric's on-system distribution needs. Thus, although there would be a need for the transmission project, the need cannot be demonstrated based on a company-specific load forecast. The role of ISO-New England, or its successor, is to plan for bulk power within a region and to ensure that electricity is transmitted safely, reliably and economically. Moreover, FERC has stated its support for regional transmission agencies and the role that they will play in identifying the need for transmission upgrades and additions. In fact, FERC recently issued a Notice of Proposed Rulemaking designed to establish a single, non-discriminatory transmission tariff with single transmission service and plans to require that independent transmission providers

use local marginal pricing to manage system congestion. FERC Docket No. RM01-12-000 (July 31, 2002).

Thus, it is only when the need for a transmission project is company-specific (i.e., is necessary to enhance a company's distribution reliability), that supporting documentation of the need must be comprehensively reviewed by the Siting Board in granting its approval of the proposed transmission facility. In that regard, need can be established under G.L. c. 164, § 69J on a case-by-case basis in the context of the purpose, location and design of the proposed transmission facility. For transmission projects built to support the distribution company's system, a localized need analysis, including a load forecast and an evaluation of alternatives, would be appropriate. This case-specific analysis would be developed using the information provided to the DTE/EFSB on an annual basis through the system-reliability report.

V. CONCLUSION

The Company appreciates the opportunity to comment on the important issues raised in this proceeding. The Company recognizes that the DTE/EFSB must balance the practical considerations of requiring numerous filings for evaluation with its statutory requirement to ensure the safety and reliability of a company's electric distribution-system. As detailed herein, NSTAR Electric believes that the annual distribution-system reliability report required pursuant to NSTAR Electric, D.T.E. 01-65 (and related orders), with one minor modification, would provide the DTE/EFSB with detailed information necessary to ensure distribution system reliability. In that regard, NSTAR Electric suggests that the DTE/EFSB establish a five-year planning horizon to be consistent with industry practice. In all other respects, NSTAR Electric supports the use of the annual

distribution system reliability report as a substitute for the submission of a long-range forecast and supply plan. In addition, NSTAR Electric believes that: (1) rescinding 220 C.M.R. §§ 10.00 et seq., and (2) the DTE/EFSB's proposed alternative process exempting electric companies from any or all of the provisions of G.L. c. 164, § 69I, are in the public interest.

Respectfully Submitted,

NSTAR ELECTRIC

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